

## APPROPRIATIONS SUBCOMMITTEE ON TRANSPORTATION

MAY 1, 2012

### MINUTES

Representative Phillip Frye called the meeting to order and welcomed the guests. Members present were Representatives: Phillip Frye, Presiding Chair, Jim Crawford, Frank Iler, Jerry Dockham, Susi Hamilton, Grier Martin, Chuck McGrady, Ray Rapp, Phil Shepard, Joe Tolson and Edith Warren.

Sergeant-At-Arms assisting were Larry Elliott, John Brandon and Bill Bass.

This is the review of our House Budget and where we are right now in the second year of the budget coming up. Rep. Killian and I have looked long and hard at where we are with this mid-year budget adjustment and there are two things that we will have in the package that you will hopefully consider. One is we have ended up with an \$88 million loss in revenue in the budget that didn't come in on our gas tax that we had budgeted and we are also working at capping the gas tax for this year at 37 ½ cents. Our recommendation is to cap it at 37 ½ cents for this year and that is in the budget that Amna, Bryce and Ryan will be discussing with you.

Amna Cameron presented the House Calendar and the instructions that came to the committee from the full Appropriations Chairs. The budget will be introduced on the first day of session on May 16<sup>th</sup>. We will need one more committee meeting and that will be to have an official vote. The full Chairs have said no fee increases in this budget, no policy change that is a standard House rule, and no increases in management flexibility reserves. The changes in transportation availability were discussed with the full Chairs and it is our understanding that they are aware that this committee is using a 37.5 cap for one year. They recognize we are divorcing the State Highway Patrol from this committee. There is an error in last year's budget that will be corrected. The Highway Patrol has no link to the Transportation budget any longer. The gasoline inspection tax money that went to LUST will be restored. An alternative will be presented to the full Chairs later. **(Attachment #1)**

Bryce Ball presented the Option Spreadsheet for FY2012-2013 Budget Adjustments for the target reduction level based on estimated revenue for next year. The Highway Fund will have a reduction of \$86,625,386. Later you will see a balance of zero based on these proposed adjustments. He presented the recommended adjustments for the DMV, Information Technology, Ferry Division, and Reserves/Transfers. **(See Attachment 2, Items 1-8)**

Amna Cameron presented the Optional Adjustments. We have identified 109 positions in the Highway Fund for elimination. The large majority of these positions are vacant but there will be a small amount that are filled. The attachment shows the divisions that these employees are in and shows the codes they represent such as HTF – Highway Trust Fund, HF – Highway Funds, or Field – not in administration at DOT and therefore considered receipt supported. **(See Attachment 2, Items 9-**

Question: Rep. Martin – Any indication on which of these positions are currently occupied?

Answer: Amna – The DMV Positions are more in terms of an internal consolidation but for the large majority these are vacant positions.

Rep. Martin – Are the 19 position in the Ferry Division vacant or what percentage are vacant?

Answer: Bryce – They are vacant.

Amna – Moving on the Maintenance and Construction budget, this is where the bulk of the cuts are being taken. The bridge program is largely a secondary road program. Over 80% of the deficient bridges in the State are on the secondary road system. It was determined to take an equal cut from primary and secondary. The idea was to fix what we have before we build new. **(See Attachment 2, Item 10, 11 and 12)**

Question: -Rep. Martin – What is the percentage those cuts represent?

Answer: Amna – On the primary system, it is about 1/3. There will be about 130 million dollars remaining. On the secondary system, it a much smaller cut for maintenance. That is 247 million dollars remaining and on the construction it is largely in the Highway Trust Fund but there is a pot of money for secondary roads in the Highway Funds and that will stand at \$23 million.

Question: Rep. Martin – What do we do with those three items in our budget last year?

Answer: Amna – Last year the secondary road construction was cut by \$35 million in the current year and \$35 million in the upcoming year. Maintenance for secondary roads was cut by \$20 million in both years and primary maintenance was cut by \$30 million in both years.

Question: Rep. Martin – Just to be clear, these are additional cuts?

Answer: Amna – Yes that is correct.

Bryce Ball presented on the Intermodal Divisions. These include the Aviation Division, Public Transportation Division, and Rail Division **(See Attachment 2, Items 13, 14, 15 and 16)**.

Bryce continued on to the Reserves and Transfers that include the Global TransPark, Department of Revenue, and other transfers **(See Attachment 2, Items 17)**.

Question: Rep. Dockham – Can you give an example of what the Public Transportation Grant cuts would be? Will this affect the part where they carry people within the County and I wonder if that is part of the cuts?

Answer: - Bryce – Yes that would be part of the cuts.

Question: - Rep. Dockham – Are those programs running at a deficient now or are they paying for themselves.

Answer: - Bryce Ball - This reduction depends on each transit system but this reduction would potentially reduce the non-federal share that is available.

Amna presented on the Department of Revenue. She stated they came forward and said they did not need several vacant positions so these positions are being taken. The other transfers involve the LUST Transfer. It makes this budget more transparent for the NER Sub-Committee. She presented on the Water and Air Quality Account and the Wildlife Resource Fund. This will be changed, the earmarks will be repealed and there will be a direct transfer of all of these funds plus the money that was eliminated last year for LUST as a general fund transfer **(See Attachment 2, Items 18-24)**.

Question: Rep. Martin – Absent the proposed change here, where would this money be used?

Answer: Amna – That will be for NER to decide. With an earmark you don't really say this program has to be justified by another program. With an earmark you just get what is coming and there is not that oversight. This means it transfers to the general fund. All of these programs will continue to exist but in future years they will be part of the general fund and part of the oversight that comes with that.

The statutory earmarks in item 25 off the top are being repealed and the money is coming back in to the highway fund and later in the highway trust fund **(See Attachment 2, Item 25)**.

Bryce stated Item 26 pertains to the Inspection program account balance. This proposal would transfer \$10 million from the available balance to the Highway Fund availability on a one time basis. Currently, funds are accumulating within this account for not only use for administration of the emissions program however there is an authorization to fund the replacement projects for the legacy mainframe, state titling and registration system and the state automated driver's license system. However, given a time line for those projects there could be a one-time \$10 million transfer of available balance.

Question: What is the current balance in that account?

Answer: Bryce – The projected end of year balance is \$17 ½ million.

Amna turned the committee's attention to the highway construction fund. The CAP figure produced a shortfall of \$31.5 million. So to start with the adjustments to availability, the first is the LUST transfers not coming off the top now comes back to the highway trust fund. That is 6 ½ million dollars. Also, in the 2011 budget the Mid-Currituck Bridge was funded at \$15 million however, that project has not advanced to the stage where that money will be spent this fiscal year. If the gap funds go unexpended then those funds are taken back for that fiscal year. According to DOT this will in no way impact the Mid-Currituck bridge project. The \$10 million cut is based on statutory formulas that exist for the highway funds and so you can see lines 27 – 30 show those statutory cuts **(See Attachment 2, Items 27-30)**.

Question: Rep. Martin – To make sure I understand what you are saying, there would be a statutory adjustment required for the mobility funds?

Answer: Amna – No the money is in reserve now. The House Budget will keep it in reserve and there will be no change until DOT comes forward and the House has another vote. The money is not re-appropriated.

Question: Rep. Martin – Are we going to decide this in conference?

Answer: Amna – DOT in no way wants this money to go unspent. Also, we don't know what the Senate will choose to do.

Amna stated there will be three cuts in the Turnpike Authority.

Ryan Blackledge presented the first draft for the Special Provisions for the Subcommittee. The revenues have been cut from last year's budget due to anticipated revenue in future years is going down. We need to adjust down what was put in last year's budget. This is used by DOT for planning in future years. On page two is the one year cap on the gas tax. It states the variable wholesale component may not exceed \$.20 a gallon. Page 3 DOT was instructed to outsource preliminary engineering projects from 50% to 60% in this year's budget. Page 4 recommends eliminating safety and emissions inspections on vehicles. Based on information from several committees what this does is exempts vehicles 3 model years and newer from both safety and emissions inspection. On page 5 it is very important to note our ability to do away with the emissions inspection portion is linked to approval by the EPA. So although you see an effective date on line 25 of January 1, 2014, you see other language on that page relating to the Department of Economic and Natural Resources. This is all contingency plan in case things have not been taken care of by January 1, 2014. On page 6 the ten million mentioned coming out of the Inspection Program Account because the statute states it supposed to be spent in a particular way because we are taking money that statute does need to be not withstood. Page 7 relates to the repeal of the Automatic Aviation Division budget adjustment. Page 8 takes care of some of the statutory earmarks for money collected with motor fuels. Pages 9 and 10 are a proposal that was discussed at the last meeting about the unreserved credit balance. What this would do is tighten up the language rather than being for access in public roads, for unforeseen events requiring prompt action or for other urgent needs, it seems simpler to just say for access to public roads or other urgent needs. There are some restrictions placed on this though. Page 11 transfers the unexpended Mid-Currituck gap funds back to the highway trust fund. Page 12 refers to how the Department of Transportation shall use the Mobility Fund to fund transportation projects. On page 14, there is a one year delay of the ferry tolls. It does deal with the shortfall by having the Ferry Division adjust its operating budget to account for the revenue shortfall. **(Attachment 4)**

Question: Martin – Talking about the Highway Trust Fund what would the cuts look like if we did not cut the motor fuels tax?

Answer: Amna – Assuming you would have the same cuts to availability, it would have been a \$1 million more to spend.

Question: Martin What are you hearing from stake holders on the changes about the cuts we are proposing?

Answer: Amna – In discussion with DOT it was reviewed that the primary system is lagging behind spending in the rest of the maintenance so for example while money is on schedule going out the door for the bridges and contract resurfacing in the secondary system it is lagging in the primary system. That does not mean it won't be spent, it just means there will be more carry forward to next year.

Question: Martin – Does that mean you have these changes that no money will go unspent the second year of a budget cycle because of budget changes?

Answer: Beau Memory – I think the way the budget was handled last year the money can be spent based on the needs of the areas. I will have to get back to you with an answer to your question.

Question: Rapp – Referring to the elimination of the inspections is this a policy issue?

Answer: Bryce – It would be an impact on the budget but it would not be felt in the upcoming budget year.

Follow-up: Rapp – Is this a policy issue or is this a budget issue?

Answer: Rep. Frye - At this point we would determine it is a policy issue.

Answer: Bryce – It could be a policy issue based on the budgetary impact. However per the JLTOC consideration the Chairs thought it prudent to offer this forward as an option.

Follow-up: Rep. Rapp – I have not heard any discussion and this is a little bit problematic to me.

Answer: Rep. Frye – We will certainly take that into consideration.

Rep. Frye stated there would be no votes taken on this today. The committee will be meeting one more time. It will be after the primary and we will let you know as soon as possible when the final meeting will be.

Question: Martin – What is the Chair's direction to the members regarding having amendments.

Answer: Amna – It will be the direction of the Full Chairs to all Subcommittees as to whether amendments can be taken in Subcommittee.

Question: Martin- Mr. Chair, you do not know if amendments will be allowed in our meeting?

Answer: Rep. Frye – Yes, in Sub-Committees that is right. It has always been a full Chair decision. These amendments could be offered in Full Appropriations not in Sub-Committee. We will follow up with this after talking with my full Chairs and get back to you.

The next meeting will be announced at a later date. Rep. Frye adjourned the meeting at 1:29 pm.

A handwritten signature in black ink that reads "Phillip Frye". The signature is written in a cursive, slightly slanted style.

Representative Phillip Frye, Presiding Chair

Mary Hayes, Committee Clerk

